1; Belgrave F-3 (no date) 1953 MZ2 Bahrain MZ2

first payments of oil royalities came at a critical time in Bahrain's history, when it was suffering from the effects of a slump in the pearling industry, and they enabled the State to continue its public works and social services. Apart from increasing the cost of living and causing a shortage of foods, the 1939-45 war had no direct effect on Bahrain, with the exception of a long-range bomber raid carried out by the Italian Air Force on the oil installations of Bahrain, and this attempt failed.

On February 20, 1942, Shaikh Hamed died, and was succeeded by his son, Shaikh Sulman bin Hamed al-Khalifah, the present ruler, under whom the march of progress in Bahrain has continued. The story of modern Bahrain and the activities of the Bahrain Government are described in Chapter III of the First Part of this book.

NOTES

[1] Durand, "Extracts from Report on the Islands and Antiques of Bahrain," with notes by H. C. Rawlinson, in *Journal of Royal Asiatic Society*, 1880.

[2] de Goeje, M. J., *Memoire sur les Carmathes du Bahrain et les Fatimides*, 1886.

[3] Idrisi, *Troisieme Climat-Sixieme Section*, translated by P. A. Jaubert, p. 373.

[4] Belgrave, C. D., "The Portuguese in the Bahrain Islands," *Journal Royal Central Asian Society*, 1935.

[5] Whose work is in the possession of a Bahraini historian.

[6] An-Nabhani, Muhammad, *Tarikh al-Jazirat al-Arabiya*, 1923, p. 125.

[7] Kennier, J. M., *Memoire on the Persian Empire*.

[8] For details of this and subsequent treaties between the Bahrain rulers and the British *see* Aitcheson, *Collection of Treaties, Engagements and Sanads relating to India and neighbouring countries*, vol. xi, 1933.

64: Shwadran S-4 (no date) 1955 M1 Middle East
Bahrein MZ2

652 There have also been other implications. The Sheikh, the
651 Government and the people have become increasingly, in fact almost exclusively, dependent on the oil. In 1932 the entire government budget was about $143,600; in 1951 the total government revenue was $5,271,000, of which approximately 61 per cent came from oil and 34.9 per cent from customs duties,[24] which must be considered an indirect result of the oil industry. In 1953 the Government revenue was derived 68 per cent from oil, 24 per cent from customs duties, and 5 per cent from interest on the reserve fund.[25] The oil boom also created in-
[464] flationary pressures which caused many Bahreinis to seek em-
458 ployment in other oil-producing areas in the Gulf. Because of
471 its central location, the I.P.C. subsidiary, Petroleum Conces-
178 sions Ltd., which held concessions in Qatar and on the Trucial coast, had made its Gulf headquarters in Bahrein and built large offices and houses for its staff. Bahrein had become a resort and shopping center for the oil employees, especially Americans and Europeans, in Saudi Arabia and Qatar. These not only added to the inflationary pressures, but so greatly increased the social vices of gambling, drinking, prostitution and their concomitants as to cause grave concern to those responsible for the health and welfare of the population.[26]

185 The Bahrein islands are limited in area and in resources; oil,
MZ2 in a more definitely limited quantity than that of any of the other areas in the Gulf, is the only resource supporting the Sheikh, the Government and its extended services, and also to a considerable degree the people at large. Though perhaps originally a little more advanced than some of their neighbors, the people of Bahrein, prior to the discovery of oil, had a low standard of living and consequently a very low standard of governmental and social services. When the pearling industry suffered a serious setback as a result of the world depression and the development of cultured pearls, Bahrein was in a desperate situation. With the arrival of the Bahrein Petroleum Company,

aroughy, *The Bahrein Islands*, 20 *et passim*; "Oil and Bahrein," *The World Today*, VII, 77-79, Feb., 1951; Bell, *loc. cit.*

[24] Bahrain Petroleum Company, Limited, *Bahrain 1952* (pages not numbered).

[25] Angus Sinclair, "The Resources and Their Potentialities. III, Petroleum and Minerals," in *Middle East Resources Problems and Prospects* (Washington, 1954), 46. The 68 per cent of the revenue directly from oil did not include the one-third which went to the Sheikh.

[26] "Oil and Bahrein," *The World Today*, VII, 79, 81-83, Feb., 1951; Faroughy, *The Bahrein Islands*, 20 *et passim*.